

LONG TERM ECONOMIC FORECAST

Santa Clara County

CURRENT SETTING

Santa Clara County has the largest labor market in the Bay Area, with just under one million wage and salary workers. Since 1995, Santa Clara County has also created more jobs than any other northern California County. Principal industries are durable manufacturing, business services, retail trade, and local government.

On January 1, 2000, the population was estimated at 1.73 million, growing an average of 1.7 percent per year since 1995. Labor markets are extremely tight; the unemployment rate fell to 2.1 percent in March 2000.

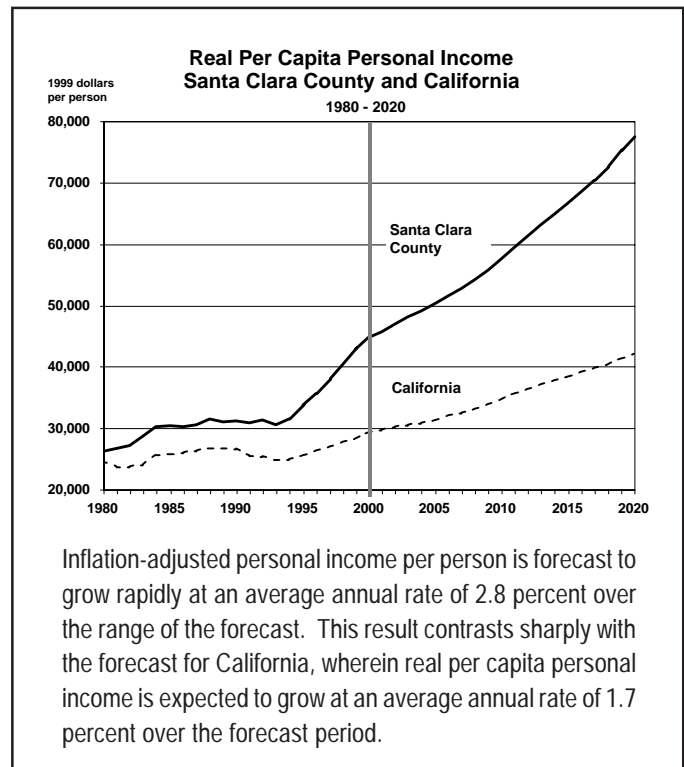
Total personal income has been growing at an average rate of 9.9 percent in Santa Clara County since 1995. In contrast, personal income growth in California has averaged 6.5 percent per year since 1995.

FORECAST SUMMARY

- Employment growth is forecast to average 1.8 percent per year through 2010. This growth rate is expected to slow to an annual average of just 1.2 percent between 2010 and 2020.
- Total personal income is anticipated to grow an average of 6.6 percent per year for the first 10 years of the forecast, then slow to 6.2 percent annually between 2010 and 2020.
- Consumer spending should remain strong in Santa Clara County over the next several years. The relatively high levels of per income person result in higher rates of consumption among the aging resident population. The growth of retail sales will average 5.9 percent per year between 2000 and 2010, and fall to 3.1 percent per year between 2010 and 2020.
- The rate of new residential development is likely to remain contained, at less than 4,000 homes per year for most of the forecast period. Housing densities (persons per home) would rise as a consequence.

EMPLOYMENT

Total wage and salary employment in Santa Clara County is forecast to surpass the one million job threshold



in 2001. Job growth slowed to just 0.9 percent in 1999, from a robust 5.8 percent rate in 1996. Although the economy will remain healthy, job creation is expected to diminish to between 15,000 and 20,000 per year over the next 10 years. It had been averaging 34,000 per year between 1995 and 1999.

The capacity of the region to produce more jobs, less housing, higher densities, and limited expansion of infrastructure will result in slower economic growth over the forecast horizon.

High technology jobs in both the manufacturing and service sectors will continue to dominate job growth in the region. However, service sectors jobs that support an aging population will also contribute principally to total employment growth in the County. The 65-year-old and over age group will rise in California over the forecast period, increasing the demand for healthcare and financial services. Consequently, employment in the service sectors will dominate job growth over the forecast.

Public sector jobs rise between 2000 and 2010 as the school age population grows sharply, peaking in 2008 or 2009.

The growth of the number people becoming self-employed proprietors continues to outpace the growth of traditional wage and salary employment in Santa Clara County. Total proprietorships will increase an average of 2.7 percent per year from 2000 to 2005.

INCOME

Personal income growth is expected to subside this year, from 9.8 percent per year in 1998 and 1999 to 7.7 percent in 2000 and 6.5 percent in 2001. The average annual gains

from stocks, mutual funds, and stock options are not expected to remain in the 20 to 40 percent range for a sustainable period of time. In fact, a stock market valuation slowdown is expected according to the UCLA Forecast for California during the first five years of the new millennium.

Because the employment mix is concentrated in high paying industries, the county's workers have earned substantially greater average wages than workers elsewhere in the state. Salaries averaged \$62,790 per worker in 1999 in Santa Clara County, and \$39,900 per worker in the state. This disparity is expected to widen throughout the forecast period. Silicon Valley will remain an attractive employment center for the foreseeable future.

ECONOMIC FORECAST: DEMOGRAPHICS, INCOME, SALES

Year	Popula- tion	Net Migra- tion	Regis- tered Vehicles	House- holds	New Housing Units	Retail Sales	Personal Income	Real Per Capita Income	Farm Crop Sales	Indus- trial Output
	people	people	thousands of veh.	thousands of homes	homes	billions of \$	billions of \$	1999 \$ per person	millions of \$	billions of 1999 \$
1995	1,603,340	-2,225	1,309	538	3,484	\$12.2	\$51	\$33,895	\$160	\$22
1996	1,638,352	17,431	1,348	541	7,501	\$13.3	\$56	\$35,795	\$148	\$23
1997	1,671,410	15,461	1,305	544	8,810	\$14.4	\$61	\$38,104	\$153	\$25
1998	1,700,976	12,202	1,387	552	7,526	\$15.0	\$67	\$40,513	\$160	\$26
1999	1,732,034	-1,284	1,385	559	7,032	\$16.3	\$74	\$43,047	\$154	\$26
2000	1,763,252	4,598	1,383	565	5,919	\$17.3	\$80	\$44,759	\$155	\$27
2001	1,795,132	3,700	1,384	571	4,981	\$18.1	\$85	\$45,830	\$160	\$28
2002	1,826,362	3,164	1,386	576	4,367	\$19.1	\$90	\$46,987	\$165	\$29
2003	1,857,670	2,855	1,387	580	4,035	\$20.2	\$96	\$48,211	\$171	\$30
2004	1,886,646	2,398	1,387	583	3,876	\$21.4	\$103	\$49,224	\$172	\$31
2005	1,909,467	2,115	1,385	587	3,853	\$22.7	\$109	\$50,359	\$164	\$32
2006	1,929,260	2,061	1,381	591	3,823	\$24.0	\$116	\$51,557	\$144	\$33
2007	1,952,987	1,853	1,379	594	3,752	\$25.3	\$123	\$52,833	\$145	\$34
2008	1,976,450	1,925	1,377	598	3,697	\$26.7	\$132	\$54,301	\$162	\$35
2009	1,999,639	1,459	1,374	601	3,650	\$28.0	\$140	\$55,784	\$166	\$37
2010	2,021,417	1,405	1,373	605	3,650	\$29.4	\$149	\$57,559	\$168	\$38
2011	2,035,147	688	1,371	608	3,629	\$30.5	\$158	\$59,415	\$167	\$39
2012	2,048,583	840	1,372	611	3,646	\$31.6	\$168	\$61,273	\$160	\$41
2013	2,062,161	595	1,374	615	3,639	\$32.6	\$178	\$63,135	\$151	\$42
2014	2,075,722	175	1,377	618	3,601	\$33.5	\$188	\$64,843	\$151	\$44
2015	2,096,376	628	1,382	621	3,589	\$34.6	\$200	\$66,659	\$153	\$45
2016	2,115,869	681	1,389	625	3,573	\$35.7	\$212	\$68,587	\$157	\$47
2017	2,135,732	253	1,398	628	3,521	\$36.8	\$224	\$70,469	\$156	\$48
2018	2,155,955	556	1,408	631	3,488	\$37.8	\$238	\$72,556	\$148	\$50
2019	2,176,326	759	1,420	635	3,506	\$38.8	\$255	\$75,290	\$140	\$52
2020	2,196,750	596	1,431	638	3,531	\$39.7	\$270	\$77,590	\$133	\$54

Note: Historical data is shown for the years 1990 to 1999; forecasts begin in the year 2000

HOUSING AND DEMOGRAPHICS

The number of households in Santa Clara County is forecast to increase by nearly 100,000 over the forecast horizon. Currently, there are 559,000 households and 1.73 million residents. The number of persons per household averages 3.07.

New housing growth will remain limited in Santa Clara County over the forecast, and this will cause household densities to rise to 3.32 by 2020.

Net migration is expected to slow in the County, due principally to the slowdown in job creation, and higher housing densities. Between 1,000 and 4,000 new residents per year will migrate to Santa Clara County over the next 10

years, a substantial decline from the 17,000 people that moved to the County in 1998. Population growth should slow from 1.8 percent in 1999 to 1.6 percent in 2004 and 1.1 percent in 2010.

The fastest growing population in Santa Clara County over the next 20 years will be the 65 and over age group.

ECONOMIC FORECAST: EMPLOYMENT

Total Wage & Salary	Farm	Cons- truction	Mining	Manu- fac- toring	Trans. & Public Utilities	Trade	Finance, Insurance, Real Estate	Total Services	Gov- ern- ment
————— thousands of jobs —————									
836	4.5	28.7	0.1	231.2	24.0	166.1	28.7	265.3	87.8
885	5.1	32.7	0.1	245.9	25.4	174.6	30.0	283.9	87.4
932	5.1	37.3	0.1	258.2	27.2	182.7	30.6	301.8	88.5
962	5.2	41.7	0.1	261.3	28.3	186.4	31.8	317.8	88.9
974	5.2	45.6	0.1	249.0	28.4	189.8	32.8	332.0	91.2
1,003	5.1	49.0	0.1	252.5	28.9	191.3	33.1	348.0	94.6
1,023	5.0	51.4	0.1	252.6	29.3	192.9	33.6	360.1	98.1
1,043	4.9	53.1	0.1	253.1	29.8	194.4	34.0	371.9	101.5
1,062	4.9	54.2	0.1	253.7	30.2	195.8	34.3	383.7	104.8
1,080	4.8	54.7	0.1	254.8	30.7	197.3	34.6	394.4	108.1
1,097	4.8	54.9	0.1	257.3	31.1	198.8	34.9	403.7	111.3
1,114	4.7	54.9	0.1	260.5	31.5	200.2	35.2	412.9	114.3
1,131	4.7	54.8	0.1	263.1	32.0	201.6	35.4	422.1	117.0
1,148	4.7	54.4	0.1	265.0	32.4	203.0	35.7	433.2	119.6
1,164	4.7	53.9	0.1	267.2	32.9	204.4	36.1	442.6	121.8
1,180	4.7	53.4	0.1	270.3	33.3	205.7	36.4	452.1	123.7
1,193	4.7	52.7	0.1	273.3	33.7	207.0	36.7	459.3	125.5
1,208	4.6	51.9	0.1	275.6	34.2	208.3	37.1	469.1	127.0
1,222	4.6	51.1	0.1	277.7	34.6	209.5	37.5	478.5	128.4
1,235	4.6	50.3	0.1	279.7	35.0	210.7	37.8	486.8	129.7
1,250	4.6	49.6	0.1	282.2	35.5	211.8	38.2	497.4	130.8
1,266	4.6	49.1	0.1	284.8	35.9	212.9	38.7	508.4	131.8
1,281	4.5	48.5	0.1	287.1	36.4	214.0	39.1	518.2	132.7
1,297	4.5	48.1	0.1	289.9	36.8	215.0	39.6	529.5	133.7
1,315	4.5	47.8	0.1	292.5	37.3	216.0	40.1	542.3	134.7
1,333	4.5	47.6	0.1	294.7	37.7	216.9	40.7	555.1	135.7

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